



Legislative Update

May 12, 2010

New Guidance Issued on Dependent Coverage Extension

The new national health insurance reform act - the Affordable Care Act - requires group health plans and health insurance issuers that provide dependent coverage of children to continue to make the coverage available for an adult child until age 26. The Act also amends the Internal Revenue Code to give favorable tax treatment to coverage for these adult children, even if the child no longer lives with his or her parents, is not a dependent on a parents' tax return, is no longer a student, or is married (the child's own spouses and children do not qualify). The new rule applies to all plans (insured and self-funded) in the individual market and to new employer plans. It also applies to existing employer plans unless the adult child has another offer of employer-based coverage (such as through his or her job). Beginning in 2014, children up to age 26 can stay on their parent's employer plan even if they have another offer of coverage through an employer.

The various federal agencies with jurisdiction over this have begun issuing guidance on the new dependent extension provisions which apply to plan years beginning on or after September 23, 2010. Conner Strong's recently issued legislative [bulletin](#) provided a link to a Health and Human Services (HHS) [letter](#) urging employers and insurers to comply voluntarily with the provisions prior to the official effective date. The bulletin also linked to IRS Notice [2010-38](#) addressing a number of questions regarding the tax treatment of such coverage. Interim final [regulations](#) have now been released implementing the dependent coverage extension provisions. An official DOL [fact sheet](#) and a DOL list of [frequently asked questions](#) have also been released.

The new guidance provides that all eligible young adults must be provided with a special enrollment opportunity prior to the effective date of the provision. The new guidance also clarifies that any qualified individual must be offered all of the benefit packages available to children who did not lose coverage because of loss of dependent status. The qualified young adult also cannot be required to pay more for coverage than similarly situated individuals who did not lose coverage due to the loss of dependent status.

Conner Strong will continue to evaluate and review the details of the health reform changes. Further, on **Wednesday, May 26th 1:00pm - 2:00pm EST** Conner Strong's Health & Welfare Compliance and Audit Practice will host our second webinar on national health insurance reform, this time focused on *Changes in 2010 and 2011 for Employer-Sponsored Plans under National Health Insurance Reform*. Please hold the date. An invitation with registration information will be issued shortly.

Please contact your Conner Strong representative with any questions, toll-free at 1-877-861-3220.

This Legislative Update is provided for general informational purposes only and is not intended to be legal advice. Readers are urged to contact an attorney for legal advice or assistance.